

Seat No.: \_\_\_\_\_

Enrolment No. \_\_\_\_\_

## GUJARAT TECHNOLOGICAL UNIVERSITY

MBA. Sem-I Examination January 2010

Subject code: 810002

Date: 20 / 01 / 2010

Subject Name: Economics for Managers

Time: 12.00 – 2.30 pm

Total Marks: 70

### Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

**Q.1 (a)** A firm Flair Pens Ltd. Supplied 2000 pens at the rate of Rs. 18 per pen to Geeta stationary, Ahmedabad, next month, due to a rise in the price to Rs. 22.50 per pen, the supply of the firm increases to 5250 pens. Find the elasticity of supply of the pens. **07**

**(b)** Draw the demand, marginal revenue and marginal – cost curves for a monopolist. Show the profit maximizing level of output & price. **07**

**Q.2 (a)** Explain the relative version of purchasing power parity theory and describe the economic logic behind this theorem. **07**

**(b)** Honest Juice Bar has the following cost schedules. **07**

Quantity	Variable cost	Total cost
0	Rs. 0	Rs. 30
1	10	40
2	25	55
3	45	75
4	70	100
5	100	130
6	135	165

Calculate AVC, TC & MC for each quantity, Graph all three curves. What is the relationship between the marginal cost curve and the average total cost curve?

**OR**

**(b)** Explain and Draw a Production Possibilities Frontier for an Indian Economy that produces Wheat & Rice. **07**

**Q.3 (a)** What is the Prisoner's dilemma and what does it have to do with Oligopoly. **07**

**(b)** Discuss four determinants of productivity. **07**

**OR**

**Q.3 (a)** Explain what is competitive firm and under what conditions will a firm exit a market? **07**

**(b)** What are the costs of inflation? Which of these costs do you think are most important for the Capitalistic Economy. **07**

- Q.4** (a) Distinguish between monopolistic and perfect competition. **07**  
(b) Differentiate between income effect and substitution effect caused by change in the price of commodity. **07**

**OR**

- Q.4** (a) Describe the three problems that make the consumers price index and imperfect measure of the cost of living. **07**  
(b) Describe the four components of G.D.P. Give an example of each. **07**

- Q.5** (a) What is the liquidity preference? How does it help explain the downward slope of the aggregate demand curve. **07**  
(b) Draw the short run trade - off between inflation and unemployment. Explain how the short - run and long – run trade offs are related. **07**

**OR**

- Q.5** (a) Explain the three reasons for the aggregate demand curve is downward sloping. **07**  
(b) Give an example of a Govt. policy that acts as an automatic stabilizer. Explain why the policy has this effect. **07**

\*\*\*\*\*